



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

October 12, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATUS REPORT ON RECOMMENDATIONS TO ENCOURAGE COUNTY EMPLOYEE USE OF PUBLIC TRANSPORTATION AND/OR PRIVATE PURCHASE OF "GREEN" VEHICLES

On March 13, 2007, the Board of Supervisors (Board) directed the Chief Executive Office, in cooperation with the Internal Services Department, to develop incentives that would encourage County employees to use public transportation and/or "green" vehicles for commuting to and from work. We provided an initial status report on August 17, 2007. This is a second status report.

USE OF PUBLIC TRANSPORTATION

As indicated in the initial status report, Section 132(f) of the Internal Revenue Code permits the use of pre-tax dollars for specified employment related transportation expenses, such as bus or rail expenses and parking expenses. Allowable pre-tax expenditures are currently limited to \$110 per month for mass transit expenses and \$215 per month for parking expenses. These dollar amounts are indexed each year by the IRS.

The County has already implemented the pre-tax provisions for parking expenses for the Civic Center Parking Plan. For example, all employees who park in the Civic Center receive a \$70 allowance and the \$120 parking deduction that applies to most employees is taken as a pre-tax deduction. Civic Center employees who do not pay for parking receive the allowance as taxable cash and must pay for bus or rail fare with after-tax dollars.

The Internal Revenue Code permits the extension of a tax exempt status to bus and rail expenditures, but only under very specific conditions set out in the Code. In an area such as Los Angeles, vouchers for the purchase of fare media, or the actual fare media, must be distributed directly to employees by the County (or a vendor acting on the County's behalf) and individual employee accounts must be established and charged for the cost of the vouchers or fare media.

The County does not currently possess the systems or administrative expertise necessary to operate a tax exempt mass transit commuter program, but there are a number of vendors in the community that specialize in the type of service. Based on what we know at this point, we believe it would be very feasible to have a vendor administer the voucher/fare media distributions and employee accounts, and then interface with the County's payroll system, to effectuate the necessary payroll deductions and tax reporting. We are, therefore, planning to conduct a Request for Proposal (RFP) to determine if a cost effective program is indeed viable. In this connection, the following should be noted:

- The program in question would have no connection with any of the County's cafeteria plans and could be initiated at any time of the year. Employees could enter or exit the program on a month-to-month basis (i.e. no annual elections as under the cafeteria plans).
- We will pursue the feasibility of charging vendor fees to the participating employees and, if possible, making the fees tax exempt as well (opinion from counsel is pending on this). This program would be cost neutral to the County.

We estimate we will need four months to complete the RFP process. We will know more at that point and report back to the Board with our findings by February 28, 2008.

EMPLOYEE HYBRID VEHICLE INCENTIVE PURCHASING PROGRAM

As a means of facilitating the use of hybrid and alternative fuel vehicles (AFVs), we will be recommending that the Board authorize the Director of the Internal Services Department (ISD) to enter into delegated agreements with automobile dealers that will set certain guaranteed prices and terms and conditions for County employees who lease or purchase hybrid or AFV. ISD has developed a standardized "New Vehicle Promotion Agreement" that will serve as the model agreement. County Counsel is currently reviewing the details of this document.

The model agreement will include, among other things, the following key components:

- Maximum prices that can only be changed with the concurrence of ISD. These prices must meet or exceed any discount or offering granted to any other organization (excluding commercial fleet sales), or any offer otherwise made available to the general public.
- ISD will be the final arbiter of any disputes between employees and participating dealers relating to a dealer's performance under the agreement during the first 12 months following a lease or purchase. ISD's decision will be binding on the Dealer.

Following Board approval of the delegated agreement arrangement, we will begin the process of establishing agreements with dealerships throughout the County of Los Angeles. We will develop a strategy to communicate the program to County employees and provide related information on similar programs offered through credit unions. We also plan to distribute information on auto insurance discounts and other incentives generally available to owners of alternate fuel vehicles.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT (AQMD) CREDITS

We currently offer preferred employee parking to carpools and vanpools for purposes of compliance with AQMD's Rule 2202 Employee Commute Reduction Program (ECRP). However, AQMD does not recognize hybrids and AFVs as part of the ECRP. We believe this policy should be changed.

We have requested that AQMD allow the County to include hybrid and AFVs among its ridesharing strategies and deem these strategies eligible for preferred parking. Each strategy must be approved by AQMD prior to implementation in order to receive Rule 2202 credit. If AQMD opts not to recognize these strategies for Rule 2202 credit, we will report back to the Board with recommendations relative to preferred parking for hybrids and AFVs. Pending an AQMD response, we will continue to promote the existing carpool and vanpool policy regarding parking.

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FLEXIBLE CAR SHARING PROGRAM

Employees who carpool or use mass transit may have the need to request time-off during their regular work schedules for medical appointments or other personal needs, and they may need a car for this purpose. There are car rental services that can accommodate this need by making rental cars available on an hourly basis at locations within close proximity to populous County facilities. However, we have concluded that the County could best serve this need not by directly sponsoring a particular rental car service, but by making employees generally aware of the services already available to them as individual consumers. Toward this end, we plan to work with the various rental car service providers to facilitate the communication of their services to County employees.

We plan to return to your Board with an updated status on all of these issues within 90 days. If you have any questions, please call me or Debbie Lizzari at 974-6872.

WTF:DL:WGL
PG:LSB:df

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller
 Internal Services Department
 Regional Planning
 Human Resources
 Public Works